

Council Finances as at 31 December 2017

Summary

To inform the Performance and Finance Scrutiny Committee of the position of the Council Finances as at the 31 December 2017.

Wards Affected

All

Recommendation

The Committee is advised to NOTE the Revenue, Treasury and Capital Position as at 31 December 2017 and comment as appropriate.

1. Key Issues

- 1.1 This is the third quarter monitoring report against the 2017/18 approved budget, which provides an update on the Revenue, Treasury and Capital budget position as at 31 December 2017.
- 1.2 At this stage in the year, the year-end outturn position can be forecast with more accuracy. We are forecasting to be on budget at net expenditure level and after taking account of savings in borrowing costs we are forecasting an £1m underspend the end of the financial year. The underspend will be placed in an interest equalisation reserve at year end. This report is intended to give an update as to where services currently are against profiled budget for the third quarter.

2. Resource Implications

Revenue Budget

- 2.1 Actuals against Budget for the 3rd quarter are shown in the attached annex. Corporately it is forecasted that there will be an underspend of £1m at the end of the financial year. Individual service variances are included in Annex A.

Capital Budget

- 2.2 At the end of the third quarter, £3.791m has been spent on capital projects. The largest element has been £2.3m on renovation works at the Square, £518k on the purchase of a property in Doman Road. A payment of £163k was made as final settlement for the acquisition of the Square, £58k carrying out works at the Main Square Car Park plus £48k purchasing new Sang's land at Chobham. The remainder has been spent on renovation grants, refurbishment of Windle Valley Day Centre and smaller projects.

- 2.3 One project is to be removed from the 2017/18 capital programme and one project is to have its budget revised. The refuse vehicle project worth £3.2million has been delayed and the purchase of the vehicles will not now take place till the summer of 2018. As a result the project has been removed from the 2017/18 programme and transferred to the 2018/19 capital programme. A property acquisition project will be removed from the programme.

Treasury Investments

- 2.4 The Council currently has £18m in cash investments and £111m in borrowings. On the advice of the Council's Treasury Advisors, cash investment of £95m has been borrowed from other public bodies on a short term basis with the remainder on longer term arrangements from the Public Works Loans Board. Cash investments were sold during the year to repay debt and, although this has affected interest rate returns, it is more than offset by the reduction in interest that would have been payable.

Debtors

Sundry Debts

- 2.5 Sundry debts include all debts except those relating to benefits. During December 2017 a number of large value invoices were issued with subsequent payments being received in January 2018. Taking into account the above timing difference and the debts being collected by monthly instalments actually leaves £876k to be collected. At the same period last year the debt stood at £1.1m therefore the level of debt will be kept under observation but is not a major concern at this stage.

Housing Benefit Debts

- 2.6 These debts arise when an overpayment in housing benefit has been made and thus has to be recovered. The Table below shows the movement in the balance over the last 12 months

	Mar-17	Jun-17	Sep-17	Dec-17	Total
Debtors b/f	648,412	657,250	648,073	648,619	648,412
Cash repayments	-36,749	-36,353	-47,331	-61,407	-181,840
Deductions from Benefits	-50,004	-81,136	-37,734	-35,539	-204,413
New overpayment debts	95,591	108,312	85,611	66,435	355,949
Debtors c/f	657,250	648,073	648,619	618,108	618,108

The level of debt has reduced over the past 3 months by £31k due to increased recovery of overpayment debts and a reduction in new debts being raised during the quarter.

Of the £618k outstanding, 50% are on a payment plan, and the remainder are being chased. It is worth noting that out of the total 300 individual debts the 3 largest each owe over £20k, with a further ten individuals each owing over £10k which amounts to over 40% of the total balance and that these are on payments plans, which typically can last for many years.

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 December 2017 and agree the proposed changes to the 2017/18 capital programme.

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.

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 The report covers the third quarter of the year and based on performance so far, there are no significant issues to cause concern at the moment.

Background Papers	none
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Detail on the Revenue Budget Position at 31st December 2017

Services are asked to explain significant variances between their profiled budget and actual expenditure to date and comment on areas of concern.

The statements below show the actual position against profiled budget as at the 31st December 2017 excluding pensions, redundancy and asset recharges. These have been excluded as they are not in the control of the services themselves.

Budget for the Period	Actual for the Period	Year end Out turn forecast
£8,732,000	£6,208,000	-£1,000,000

Corporate Service

Budget for period £1.145m, Actual for Period £1.132m.

Year-end Outturn Forecast £29k favourable variance.

There is a underspend on electoral registration of £47k as a result of IER grant being received in 2017/18 and a carry forward from 2016/17. Public relations is showing an adverse variance of £12.5k due to no longer receiving the PPP funding from Surrey County Council.

The remaining favourable and adverse variances cover a variety of remaining cost centres within the Corporate Portfolio.

Legal and Property Service

Budget for period £-77k, actual for period £-1.166m.

Year-end Outturn Forecast £100k adverse variance.

Most of the adverse variance is caused by the vacancy of the former BHS store on the ground floor of Ashwood House. Works will be carried out during the residential build which will enable additional floors and flats to be added giving a better overall financial return from the redevelopment. New lettings will be put in place. The loss of rent and overspends on building maintenance plus NDR is £330k, offset by commercial property and London road rental income. Public Offices electricity and gas are overspending as a result receiving bills relating to 2016/17 being paid in the current year, the overspend is reduced in part by a reduction in service charges. The outturn forecast takes into account an underspend on salaries due to vacant posts, changes in structure and vacancy margin.

Regulatory

Budget for period £2.048m, actual for period £1.662m.

Year-end Outturn Forecast £269k favourable variance

Planning applications Income is exceeding the budget by £35k, while Planning appeals is £45k underspent due to reduced expenditure on Consultants. Homelessness is £160k underspent due to a late grant received from Government – this will be the subject of a report to Executive. The remaining favourable variances cover a variety of remaining cost centres within the Regulatory portfolio. The outturn forecast takes into account an underspend on salaries due to vacant posts, changes in structure and vacancy margin.

Transformation

Budget for period £1.339m, actual for period £1.313m.

Year-end Outturn Forecast £22k adverse variance

Software licences will be overspent by £160k due to the budget not being increased for several years to take account of inflation. Corporate training will be overspent by £20k due to having no budget for the apprentice levy payment along with an £8k overspend on recruitment due to the increased difficulties in recruiting staff. The remaining small adverse variances cover a variety of the remaining costs centres within the transformation portfolio. The outturn forecast takes into account an underspend on salaries due to vacant posts, changes in structure and vacancy margin..

Business

Budget for period £527k, actual for period £930k.

Year-end Outturn Forecast £370k adverse variance

The Theatre is forecasted to have a £114k overspend. There has been improved overall performance over the year to date, resulting in increased income from shows, hiring of rooms etc but these have been offset by an overspend on Artist fees. The pantomime which completed its run at the end of the 3rd quarter was a success with increased income levels and reduced production costs. The second is parking which is forecasted to be £221k overspent where due to a revaluation the rateable values have increased

threefold which have resulted in the business rates payable been higher than budget. These new rateable values are being appealed against. Parking income is also down on budget. The outturn forecast takes into account an underspend on salaries due to vacant posts, changes in structure and vacancy margin.

Community

Budget for period £3.360m, Actual for period £3.254m.

Year-end Outturn Forecast £4k favourable variance.

Recycling will show a favourable variance of £100k over the year due to increased garden waste tonnage plus a higher recycling credit per tonne due to changes in the financial payment transfers since the budget was set and savings in contractor and equipment costs. Refuse will be £46k underspent at year end due to lower contractor costs and property growth which has been offset in part by a contribution to JWS to mobilise and manage the joint contract.

Community transport will be overspent by £48k largely due to overtime and acting up payments to cover staff sickness and staff vacancies. There has been a fall in income due to reductions in funding from the County Council and journey's being taken. Going forward the new Community Transport Manager is identifying new income opportunities and is looking to reduce maintenance costs by moving to a new contractor. The outturn forecast takes into account an overspend on salaries, due to agency staff covering vacant posts and staff sickness.

Finance

Budget for period £1.742m, actual for period £1.633m.

Year-end Outturn Forecast on Budget.

There are some savings on Council Tax collection where there has been increased recovery of legal costs awarded along with some small saving on Corporate management, but these have offset by an overspend on salaries due to agency staff covering vacant posts, staff sickness.

Strategic Property Development

Budget for Period – £1.352m actual for period -£2.550m.

Year-end Outturn Forecast £1.190m favourable variance

There a number of small favourable variances that cover a variety of cost centres within the Strategic property development area. The outturn forecast takes into account an underspend on salaries due to vacant posts, changes in structure and vacancy margin.

Savings of £1m have been made on the interest paid on our borrowings, by borrowing from other local authorities at reduced rates of interest. At year end these savings will be transferred to an interest equalisation reserve until the Council's loans have been fixed.