

**PERFORMANCE AND FINANCE SCRUTINY
COMMITTEE**

Finance Portfolio Update

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| Portfolio | Finance |
| Ward(s) Affected: | All |

Purpose

To provide a progress report on the Finance Services Portfolio

1 Background

1.1 The Finance Portfolio covers the following areas as set out below:

- Finance
- Procurement
- Revenues and Benefits

2 Finance Function

2018/19 Budget

2.1 The finance report, which is being reported to Executive, next week, shows that the Council is broadly on budget for this year. Although there have been some variances these have been covered. Members will already be aware of the issues around key retailers in Camberley and for this year any shortfall is being covered from the rent equalisation reserve.

2019/20 Budget

2.2 The Finance service is currently working on putting the Budget together for 2019/20. This will be done in time for presentation to members in February 2019. During the year a new budget module was installed on the Civica financial system which has enabled services to input their revenue and payroll budgets directly in to the system.

2.3 A key component of the budget will be the Local Government settlement which is due to be announced on the 6th December. 2019/20 marks the final year of the current settlement cycle and Surrey Heath is due to lose almost £900k, called negative Revenue Support Grant – RSG, in Government funding. The Government has promised to review this so we are keeping our fingers crossed! Not including this reduction since 2010/11 the Council has lost £2.7m cash in funding.

2.4 The main budget pressures are in respect wage growth in the wider economy which impacts recruitment, general inflation and the fall in the £ which has driven up contract costs and the costs of funding the Councils capital program. The Council has sought to offset this through generating income through investment in property as well as seeking to drive more income. This has in the main been successful although the recent downturn in retail rents has had an impact on investment returns.

Capital

- 2.5 During the year the Council has made a number of capital acquisitions. These include investment properties, refuse vehicles, SANGS land and the SQ refurbishment. As the Council has no capital receipts all capital has to be funded by borrowing and therefore creates a revenue pressure.

Treasury and Investment

- 2.6 The Council continues to invest surplus funds as well as borrow to fund its acquisitions. At the end of September the Council had around £14m invested and borrowings of £125m. In addition around a further £20m has been funded using internal borrowing.
- 2.7 Members may wish to note that there are strict rules around borrowing by Councils. Councils can only borrow for a capital purpose, such borrowing has to be authorised and within the Council's legal powers. Furthermore not only must the Council cover the interest charge on the loan it must also make provision for the repayment of the loan (Minimum Revenue Payment or MRP) – rather like a mortgage. This MRP is built up over the life of the loan, usually on an annuity basis, and may be paid over as debt repayments over the life of the loan or paid at the end. Unlike a private sector investor it is illegal for the Council just to rely on selling its asset to repay the debt.
- 2.8 On the advice of its Treasury advisors the Council has kept the majority of its borrowings short in order to reduce interest costs. The finance team has worked hard to get the best rates for the Council which although it has created a lot of additional work has realised significant savings for the Council.

Transactions

- 2.9 During the year the council has worked hard on paying its creditors promptly. Over 99% are paid within 30 days and many significantly sooner. Approximately 500 purchase invoices and 350 sales invoices are processed each month and all creditors are paid electronically – there is no cashbook!

External audit and Accounts

- 2.10 The Council received a clean audit report and value for money conclusion on the 2018 annual accounts. This was the first year that accounts had to be prepared by the 31st May and audited by the 31st July. Surrey Heath met both of these deadlines although 13% nationally did not. As a result of a tender conducted by the Public Sector Audit Appointments (PSAA) KPMG have now ceased to be the Council's auditor and BDO have been appointed. Hopefully the transition will be a smooth one and not lead to any delays in the process this year.

Strategic Outlook

- 2.11 The next few years will remain challenging for the Council's finances. There are a few areas which are still to be unclear as follows:
- The financial settlement for the next 5 years has not been announced as yet. Although austerity is now not such a priority it is unclear whether Councils will receive any additional funding;

- The results of the “fair funding” review are awaited. This could result in changes to funding for Surrey Heath and all districts as funding is tilted more towards adult and children’s social care.
- The final shape of the 75% localisation of business rates is still awaited. Crucial to this will be where the baselines are set since this will determine how much growth, if any, the borough will benefit from;
- The overall economy is at best weak and retail in particular is suffering. This may have an impact on Council rental income for the near future;
- Surrey County Council continues to experience financial stress. This not only results in pressures falling on the districts as grants are cut and services transferred but also could lead to a full reorganisation if Surrey were to fail.
- The Council has thus far followed a strategy of increasing income to maintain services. If this does not continue then services may need to be reduced and the Council’s regeneration plans which require funding put on hold.

2.12 It is to cope with these uncertainties that the Council maintains a level of reserves. These reserves, provided they are not earmarked for a specific purpose, can be called upon to deal with short term financial pressures whilst longer term solutions are sought.

3 Revenues and Benefits Function

Council Tax and Business Rates

3.1 The Council Tax and Business Rates teams had a collection rate of 99.49% for Council Tax and 98.81% amongst the highest in the country. They work hard with businesses and residents experiencing difficulties to ensure that these are paid since this money is needed to provide the services the community relies on. The Government announced some new business reliefs in the budget and these will be implemented in the new year and should ease some of the pressure on retail businesses.

3.2 The department has worked hard to reduce costs and at the moment 4328 residents and 768 businesses have signed up for e-billing. This is expected to grow in the future. About £40m is collected in business rates each year of which only £1.6m or 4% actually comes back to Surrey Heath

Benefits

3.3 The benefits service has continued to reduce its processing times for claimants and these currently stand at an average of 5.3 Days. During the last 6 months 1100 new claims and 10671 changes have been processed by the team.

3.4 The big change is the implementation of Universal Credit in to Surrey Heath on the 28th November 2018. What this will mean is set out in more detail in the attached annex. What was envisaged originally as a “big bang” approach has now become more fragmented and it is clear that a housing benefits service will be required for some time. In addition it is worth noting that Councils will still be required to administer and award Local Council Tax Support as this will not form part of Universal Credit as well as housing costs for claimants not transferring to UC however the funding of this has not been guaranteed

4 Procurement

- 4.1 There have been a number of high profile procurements under taken within the Council this past year (2018), with a number of beneficial outcomes for the Services involved.
- 4.2 The list of tenders undertaken in the last 12 months are detailed below, however, particular attention needs to be brought to the procurement of the Grounds Maintenance Services which has been awarded to a new supplier for the first time in 12 years. This brings not only a reduction in the cost of the service but also includes additional services, such as works previously undertaken by SCC. Therefore a great improvement in the services offered and the overall value of the contract.
- 4.3 A large number of improvement works have been awarded following tenders including the much needed refurbishment of Camberley Theatre, the removal of the Ramp from Ashwood House and the resurfacing of the Main Square Car Park, with the lighting replacement and Stair core refurbishment due to start shortly.
- 4.4 Finally, the Town Centre regeneration has led to a number of key procurements including the London Road Block Competitive Dialogue, the procurement of the Designer for the High Street Public Realm project, and a competitive process to find an Artist to create public art that will be incorporated into the wider design of the High Street public realm. Councillor Alan McClafferty and Deputy Leader Richard Brook were included as members of the evaluation panel for the selection of the Artist to help ensure we found the best fit for the Town Centre.

| Tender Exercise Name | Service | Procurement Status |
|--|----------------|---------------------------|
| Leisure Contract for redevelopment of Camberley Arena Leisure Centre | Business | Ongoing |
| Ashwood House - Enabling Works including removal of the Ramp | Legal | Completed |
| Car Park Consultancy Services for the refurbishment of Main Square | Business | Completed |
| Camberley High Street Public Realm - Designer | Regulatory | Completed |
| Grounds Maintenance Contract review | Business | Completed |
| Air Quality and Transport Modelling for A331 | Regulatory | Completed |
| Public Art Commission: Camberley High Street | Regulatory | Completed |
| Evergreen Road Playground Refurbishment | Business | Completed |
| Camberley Theatre - Refurbishment works and services | Business | Completed |
| Frimley Lodge Park –playground | Business | Ongoing |
| London Road Block | Regulatory | Ongoing |
| ITT for Multi Storey Resurfacing | Business | Completed |
| ITT for lighting replacement works for Main Square car park | Business | Completed |
| ITT for Stair Core Refurbishment Works | Business | Ongoing |

Many of these procurements are processed through the DELTA procurement portal

- 4.5 In addition it is key to note this table does not include all the additional lower spend procurements taking place throughout the Council through the year (e.g. below local and EU Tender threshold) that are still high in value and profile and are ensuring the Council get best value from its external third party spend.

4.6 An example of this is the Concept Design work undertaken for LEKR - The results from this procurement will shape and inform future procurements enabling the SHAPE programme to drive better value.

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| Annexes: | Annex A: Universal Credit Briefing Note |
| Background Papers: | None |
| Executive Head: | Kelvin Menon, Executive Head: Finance |

UNIVERSAL CREDIT BRIEFING**Introduction**

Universal Credit is being introduced in to Surrey Heath on the 28th November 2018 and will eventually replace the following benefits:

- Income-based Jobseeker's Allowance
- Income-related Employment and Support Allowance
- Income Support
- Working Tax Credit
- Child Tax Credit
- Housing Benefit

Universal Credit is given to people who are in work and on a low income, as well as to those who are out of work. Universal Credit is administered by the claimant online so that as they move in and out of work, their payments are adjusted giving them an incentive to work for any period of time that is available.

Universal Credit is administered as one monthly payment, paid into a bank or building society account. It is usually Universal Credit claimant's responsibility to pay their rent and housing costs to their landlord. In some situations claimants can ask for the housing element to be paid direct to their landlord or a landlord can request to have the housing costs element of Universal Credit paid direct if the tenant is having difficulty paying the rent.

Not everyone will have their housing costs paid through Universal Credit. A significant number of claimants will continue to receive Housing benefit administered by SHBC. There are:

- pension age claimants
- those living in exempt / specified and temporary accommodation
- families with 3 or more children (until end January 2019 unless further extended)
- all claimants in receipt of a severe disability premium who have a change of circumstance after 16th January 2019
- 18-21 years olds who need housing costs from the 1st January 2019.

These exceptions and staggered legislative changes will make the provision of advice to new claimants complicated as some will qualify for Universal Credit of Housing Benefit or indeed both.

Managed migration of existing benefit claimants who have no change in circumstances is not expected to start until mid-2019 at the earliest, and a long lead in time is anticipated to enable processes to be implemented appropriately. Managed migration is planned to end in 2023 however based on the experience of other areas this is likely to take far longer.

Current claimants will migrate to Universal Credit, provided they are not an expectation, if they have an appropriate change in their circumstances such as:

- moving into work
- a household having their first child
- claiming Tax Credits and gain a partner
- Income Support ceasing
- Takes a new tenancy for the first time and is on a legacy benefit

Housing Benefit will continue for 2 weeks after a Universal Credit claim is approved to try and cover the gap between benefits.

Information about eligibility to make a claim for Universal Credit will be available on the Council's website or at <https://www.gov.uk/universal-credit>

How does UC affect SHBC?

The main administrative impact on SHBC will be for the Revenues and Benefits team who administrate the Housing Benefit and Council Tax Reduction Schemes. These schemes help those on low income, both working and not working to meet their housing costs or rent and council tax.

Universal Credit is available to working age claimants. Those working age claimants who rely on SHBC to help them with their housing costs will be affected by the changes from 28 November 2018. Claimants and residents who have reached the age to claim State Pension Credit are not affected by the Universal Credit changes.

From 28 November 2018 and new working age claimant who would have claimed any of the 6 legacy benefits will claim Universal Credit. For those claimant's with both a rental liability and a council tax liability they will need to approach Universal Credit to help then with their rental liability and make a separate application to SHBC for help with their council tax liability.

Once we have a council tax reduction claim we will base the entitlement on the details of their Universal Credit award. Universal Credit is assessed on a monthly basis, with payments made in arrears.

Currently for those claims based on the 6 legacy benefits SHBC can proactively access the system for information. This service does not apply to Universal Credit claimants. Whilst it has always been the responsibility of claimants to provide information and notify changes the tools made available to benefits teams has ensured accurate and prompt assessments regardless of a claimant's ability to manage their claim.

Help and Advice

The move to full Service Universal Credit for many of the residents of Surrey Heath will be a difficult and worrying time. The Revenues and Benefits team has been working with the DWP and partner agencies to ensure help and advice are available. Three main areas of concern were around availability of bank accounts, claimant's ability to budget, moving to an online claims process and the online maintenance of their claim.

Universal Credit - Getting a Bank Account

Aware that full service Universal Credit was fast approaching we were very aware of the need for claimants to have a bank account available for Universal Credit payments. To this end we met with the credit union, Boom, which serves people who live or work in Surrey, Kingston or West Sussex. It gives local people access to affordable loans, bank accounts and prepaid cards.

Boom offer a basic classic engage current account. The cost is £2 per month and comes with a handy budgeting tool. The account also allows for cash back rewards and Boom will set up a savings account alongside your current account. There are no credit checks and simple ID requirements.

Personal Budgeting Support and Assisted Digital Support

These two areas of claimant support have been rebranded by the DWP as Universal Support and from 1 April 2019 will be delivered nationally by Citizen's Advice.

Surrey Heath agreed to provide Assisted Digital Support and Personal Budgeting Support to Full Service UC claimants from February 2016 but so far there has only been one referral.

In line with a national agreement this service, called Universal Support, will be provided by Camberley CAB from 28 November 2018 and they will be funded for this by the Government via SHBC. This is £53.55 for assisted Digital Support and £63 for Personal Budgeting Support per claimant

In addition, a PC is provided in the contact centre for claimants to use for Universal Credit

Conclusion

The introduction of Full Service Universal Credit will be a challenge for SHBC and our residents not helped by the numerous exceptions and staggered changes. The need to make a separate claim to Council Tax Reduction as well as a significant number of claimants remaining on Housing Benefit further complicates matters.

The Council has invested in training for its staff and has worked closely with partners such as the DWP to try and make the transition as smooth as possible. What is clear is that the system appears to be becoming more complex and that Councils will be required to maintain a benefits function for the foreseeable future.