

Purpose

To provide the Performance and Finance Scrutiny Committee with a high level view as to the Council's financial performance for the year 2018/19.

To provide the Performance and Finance Scrutiny Committee with a high level view of the General Fund Capital and Revenue balances 2018 to 2020.

1. Background

- 1.1 This report covers the entire financial year to the 31st March 2019 and is intended to give members a high level view as to the financial performance of services for the year highlighting significant variances against budget. The variances reported only include controllable costs. Costs relating to asset charges, revaluations and accrued pensions have been excluded since under local authority accounting rules they do not impact the overall financial outturn.
- 1.2 This has been a challenging year with pressure on income, especially parking, and increases in costs due to inflation. Despite that overall the Council has had a successful year with the majority of services coming in on or under budget. Details are included later in this report.
- 1.3 The unaudited draft financial statements were published on the Council's website on the 31st May 2019. These have been prepared so as to comply with Local authority accounting requirements and will be audited during June/July 2019 for final reporting to members by the 31st July 2019.
- 1.4 The Council holds a number of reserves for specific purposes to cover future obligations and contingencies. For information these have been listed in annex C as at the 31st March 2018 and 31st March 2019. Further information on these is available in the financial statements.

2. Resource Implications

Revenue Budget

- 2.1 A review of actuals against budget which have generated a variance greater than £25k at the end of the year is shown in the attached annex A. The vast majority of areas have come in under budget although most significant positive variances are either due to grants being received at the end of the year or work being deferred. These will be carried forward in to 2019/20 subject to the agreement of members.

Treasury Investments

- 2.2 The Council currently has £29.9m invested in a variety of banks, building societies and funds. This made a return of £208k which was £48k above budget.
- 2.3 A list of investments held at the 31st March 2019 is shown in Annex B.

Borrowing

- 2.4 The Council has borrowed £175m to fund property acquisitions. Based on the advice of our Treasury advisers £57m is made up of longer term loans from the Public Works Loans Board with the remainder being shorter term loans from other local authorities. The Council has entered into an arrangement to forward fix £50m of debt over the years 2021 & 21/22 to minimise the risk of interest rate increases.

3. Debtors

Sundry Debts

- 3.1 Sundry debts include all debts except those relating to benefits. At the 31st March 2019 these amounted to £5.8m compared with £2.5m for the same period last year. The increase of £3.3m relates to a number of different debts, where invoices were raised in March before the year end and paid the following month. This applies to joint waste recharges to the other three partners, investment property & profit share invoices. If you strip out the additional JWS & investment property invoices then the level of debts at year end are comparable to the previous period.

Housing Benefit Debts

- 3.2 These debts arise when an overpayment in housing benefit has been made and thus has to be recovered. At the 31st March 2019 the balance was £563k compared with £560k at the end of the last quarter. During the last 3 months £107k was collected and £110k of new debts was raised. 24 debtors, or around 8.3% of the total, account for just over half of the debt.

4. Officer Comments

- 4.1 Overall this has been a good year for Surrey Heath with the vast majority of services coming in on or under budget. Services have monitored their spend over the year using the Civica financial system which gives them real time actual and committed expenditure. Although the surpluses in some areas may appear to be large many of these are due to Government grants being received towards the end of the year or fees for large planning applications which will need to be processed in the coming year. Where it is prudent to do so the Council has placed some surpluses in to reserves to smooth over future potential variances.

5. Corporate Objectives and Key Priorities

- 5.1 This item addresses the Council's Objective of delivering services efficiently, effectively and economically.

6. Risk Management

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

7. Recommendations

- 7.1 The Performance and Finance Scrutiny Committee is advised to note the Council's financial performance for the 2018/19 financial year and the General Fund Capital and Revenue balances 2018 to 2020.

Background Papers: None

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Summary Information on the Revenue Budget Position at 31st March 2019

Most of the revenue accounts have now been closed so the outturn on an individual service level can now be reviewed. The figures provided to services and reported below exclude pensions (deficit payments and past years) and asset charges as these are not controllable by service managers.

The tables below list significant variances against budget greater than £20k together with an explanation. “+” denotes favourable and “-“denotes adverse. The figures shown include wages costs as these have now all been charged to individual services. Although there are a significant number of underspends some of these will be carried forward in to next year and these will form the basis of a report to Executive in July.

Finance

Function	Variance	Notes
Housing Benefits	-£55k	Additional software and system development costs coupled with a reduction in the admin grant.

Interest received was £48K higher than the budget

Transformation

Function	Variance	Notes
Economic and community development	-£43k	Additional wages costs
Policy support	+£97k	Savings on wages some of which were used above in economic development
Revenue Grants	+£120k	Underspend on grants awarded. A request to carry forward the £99k Kevin Cantlon fund was made at year end.
Counter Fraud fund	+£51k	This is the remainder of an anti-fraud grant and a carry forward request will be made at year end.
ICT	-£122k	Increased costs of software licences due to timing issues with the movement over to the cloud environment.

Corporate

Function	Variance	Notes
Electoral Registration	+£60k	Additional grant received and carried forward from previous year (2017/18) which lead to an underspend.
Contact centre	+£36k	Saving in staffing costs

Business

Function	Variance	Notes
On Street Parking	-£102k	Shortfall in cost recovery following transfer to Surrey CC
Theatre	-£250k	Net revenue from shows fell short of the budget. That said the level of subsidy given is below that in the required in 2014 business plan.
Car Parks	-£373k	Income did not meet target for 18/19 due to a fall in town centre footfall, a reduced number of spaces in the Square car park and a freeze on charges. Increased electricity costs offset by savings in equipment purchases, cash collection costs and service charges.
Parks and Open Spaces	-£63k	Increased maintenance costs due vandalism costs and unbudgeted Crabtree landfill costs coupled with additional water charges due to dry summer.
SANGS	+£56k	Saving in maintenance costs
Commuted Sums	+£106k	Budget was not required due to the expenditure being capital rather than revenue related.
New leisure facility	+£59k	A carry forward request was made at year end.

Regulatory

Function	Variance	Notes
Planning Applications	+£577k	Income up on budget due to an increase in large planning applications received.
Development advice	+£23k	Income higher than budget and lower salary costs.
Planning Appeals	+£44k	Lower supplies/services costs mainly around consultants. A carry forward request was made at year end.
Chobham Flood Alleviation Scheme	+£39k	Grant Income awarded. A request to carry forward was made at year end.
Surrey Heath Local Plan	+£136k	Grant Income and underspend on consultants and salaries. Local plan work now being done in 2019/20. A request to carry forward was made at year end.
Homelessness	+£201k	Savings on B&B placement fees, grants paid and income higher than budget. Some of this underspend was requested to be carried forward at year end.
Housing Inspections	+£35k	Increased Income as a result of an increased number of Inspections taking place.

DCLG Funding	+£83k	Grant Income received towards the end of the financial year. A carry forward request will be made at year end.
Local Land Charges	-£32k	Reduction in income due to a slowdown in the housing market.
Disabled Facilities Grants	+£115k	Saving on staffing and management costs

Legal

Function	Variance	Notes
Corporate Land Management	+£292k	Lower premises costs and recharges, plus increased Income.
London Road	+£82k	Increase in Income.
Vulcan Industrial Estate	+£187k	Surplus Income at year end
Trade City Industrial Estate	+£284k	Surplus Income at year end.
Ashwood house	-£86k	Increased business rates payable
Legal	-£50k	Increase in legal fees and advice and a reduction in income.

Investment & Development

Function	Variance	Notes
Regeneration	+£53k	Lower consultant costs.
London Road Block	+£313k	Unspent project Costs which will be carried forward.
Strategic Property Development	+£74k	Lower Salary costs.
Town Centre Investment	-£861k	Reduction in income due to House of Fraser. This has been covered by the rental equalisation account.
Interest on Borrowing	+£1.3m	Due to the use of short term borrowing on the advice of our treasury advisers. This will be placed in to an interest equalisation reserve until such time as the borrowing is fixed for a longer time period.

Community

Function	Variance	Notes
SCC recycling incentive grant	+£26k	Increased grant received. A carry forward request was made at year end.
Waste	-£120k	One off charge relating to vehicle rental charges at the start of the contract and other costs offset by savings in contract management costs
Recycling	-£89k	Increased depot rental, business rate charges and salary costs offset by increased income and savings in marketing expenditure.
Noise Pollution	+£36k	Savings in Salary costs.
Air Quality Project	+£189k	Unspent grant related to the feasibility study and outline Business Case.

Business Rates and Council Tax

Business Rates and Council Tax had amongst the highest collection rates in the country at 99.5% and 99.2% respectively.

Annex B

Investments as at 31st March 2019

	£	£
Banks		
Nat West Central Account		
Nat West Business Reserve	81,713	
SIBA	101,912	
Total Banks		183,625
DMO (Debt Management Office)	<u>27,500,000</u>	
		27,500,000
Long Term Investments		
CCLA Property Fund	<u>2,184,560</u>	
Total Long Term Investments		2,184,560
Total Investments		<u><u>29,868,185</u></u>